

**Employers:**

**9**

**Ways**

**To Earn Federal Income Tax Credits**

**For Your Company**

**The Welfare-to-Work and  
Work Opportunity Tax Credits**

**Two Employer-Friendly Benefits  
for Hiring Job Seekers  
Most in Need of Employment**

- ◆ **How to Earn Tax Credits For New Hires**
- ◆ **How To Apply For The Tax Savings**
- ◆ **Where To Get More Information**

**Employment and Training Administration  
U.S. Department of Labor  
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## Earn the Welfare-to-Work (WtW) and Work Opportunity Tax Credits (WOTCs)

- ✓ *Employers make the hiring decision*
- ✓ *There is no limit to the number of new hires who can qualify an employer for the tax savings*
- ✓ *Minimal paperwork is needed to claim the tax credits*

Use of the tax credit has increased substantially over the last three years:

- ☐ During 1999, **336,000** WOTC and **105,000** WtW certifications were issued
- ☐ During 1998, **285,000** WOTC and **47,000** WtW certifications were issued
- ☐ During 1997, **126,000** WOTC certifications were issued

On December 17, 1999, the Ticket to Work and Work Incentives Improvement Act of 1999 retroactively extended the Work Opportunity and Welfare-to-Work Tax Credits (WOTC/WtW) through December 31, 2001.

***The Welfare-to-Work Tax Credit for hiring long-term welfare recipients is as much as \$8,500 per new hire:*** 35% of qualified wages for the first year of employment and 50% of qualified wages for the second year of employment. Qualified wages -- which include tax-exempt amounts received under accident and health plans as well as educational and dependent assistance programs -- are capped at \$10,000 per year. To qualify employers for this tax credit, new hires must be employed at least 400 hours or 180 days.

***The Work Opportunity Tax Credit for hiring all WOTC target groups, except for Summer Youth Employees, is up to \$2,400 for each new hire:*** 40% of qualified first-year wages for those employed 400 or more hours; 25% for those employed at least 120 hours. Qualified wages are capped at \$6,000. Summer Youth wages are capped at \$3,000. To qualify employers for the WOTC, new hires must begin work on or after July 1, 1999 and before December 31, 2001.

**Coordination of WOTC & WtW:** Participating employers have a maximum combined period of two years to claim either credit. The WOTC and Welfare-to-Work Tax Credits cannot both be claimed for the same individual in the same taxable year.

**Hire From Among These Nine Groups of  
Job Seekers to Qualify for the Welfare-to-Work  
Tax Credit and the Work Opportunity Tax Credit**

1. **Long-term welfare recipient** -- member of a family that received Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months before date of hire, **or** whose family's TANF eligibility expired under federal or state law after August 5, 1997, **or** whose family received TANF for at least 18 months after August 5, 1997 -- **eligible for the WtW tax credit**
2. **Other welfare recipient** -- member of a family that received TANF for a total of at least 9 of the 18 months before date of hire -- **eligible for the WOTC**
3. **Veteran** -- veteran and member of a family that received food stamps for at least a 3-month period during the 15 months ending before date of hire -- **WOTC**
4. **18-24 year-old food stamp recipient** -- member of a family that received food stamps for at least the last 6 months ending on the hiring date, **or** for at least 3 of the 5 months before date of hire in the case of a family member who ceases to be eligible for such public assistance -- **WOTC**
5. **18-24 year-old EZ/EC resident** -- of one of the 145 federally designated Empowerment Zones or Enterprise Communities (EZ/ECs)\* -- **WOTC**
6. **16-17 year-old EZ/EC resident** -- hired as a Summer Youth Employee -- **WOTC**
7. **Vocational rehabilitation referral** -- a disabled person who completed or is completing rehabilitative services approved by a State or the U.S. Department of Veteran Affairs -- **WOTC**
8. **Ex-felon** -- ex-felon and member of a low-income family -- **WOTC**
9. **SSI recipient** -- received Supplemental Security Income benefits for any month during the 60 days before date of hire -- **WOTC**

\* For information about EZ/ECs, visit the EZ/EC website: <http://www.hud.gov/ezec/locator/> or call 1-800-998-9999

## Applying for Welfare-to-Work or Work Opportunity Tax Credit Certification Takes Three Simple Steps

Employers must apply for and receive certification from their state employment security agency that their **new hire** is a long-term welfare recipient or member of one of the WOTC target groups before they can claim the Welfare-to-Work or Work Opportunity Tax Credit on their federal tax return. To apply for certification, employers must:

1. Complete the one-page *IRS Form 8850*, "Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Tax Credits," **by the date of the job offer**, and
2. Complete *one of the following* one-page U.S. Department of Labor forms, as appropriate
  - ◆ *ETA Form 9061*, "Individual Characteristics Form," if the new hire has not been given a conditional certification, or
  - ◆ *ETA Form 9062*, "Conditional Certification Form," if provided to the job seeker by a participating agency, such as the Job Corps, *and*
3. Mail the signed and dated IRS and ETA form to the State Employment Security Agency's (SESA) WOTC Coordinator **not later than 21 days after the new hire's employment start date**.

For your convenience, the forms are available as follows:

| Form     | Website address   | Phone no.          |
|----------|---|--------------------|
| IRS 8850 | <a href="http://www.irs.ustreas.gov/prod/forms_pubs/forms.html">www.irs.ustreas.gov/prod/forms_pubs/forms.html</a>          | 1-800-829-3676     |
| ETA 9061 | <a href="http://www.workforcesecurity.doleta.gov/employ/WOTC.asp">www.workforcesecurity.doleta.gov/employ/WOTC.as<br/>p</a> | (See contact list) |

**These forms and a directory of SESA WOTC Coordinators are also available through Fax-on-Demand at 1-877-828-2050. To access this service you may call from a fax machine or your touch-tone telephone.**

### Who Doesn't Qualify

- ◆ No tax credit can be claimed for wages paid to relatives.
- ◆ No tax credit can be claimed for federally subsidized on-the-job-training. However, wages paid after the subsidy expires can qualify for the credits.
- ◆ Any individual who previously worked for the employer and does not meet the definition of "qualifying re-hire."

## The WtW and WOTC Tax Credits

## Employer-Friendly Benefits

The Welfare-to-Work and Work Opportunity Tax Credits reduce an employer's cost of doing business and require little paperwork. The success and growth of these federal income tax credits for private-sector employers depend on a strong public- and private-sector partnership. Helping those most in need find and retain jobs and gain on-the-job experience benefits all employers and increases America's economic growth and productivity.

We need your input to make the Welfare-to-Work and Work Opportunity Tax Credits work. Let us know how we can improve their value to you and your employees. Be part of that success! The success and growth of these Federal Income Tax Credits for private sector employers depend on strong public and private sector partnerships **formed under "America's Workforce Network."** Send your comments/suggestions to: U.S. Department of Labor, ETA, Office of Workforce Security, Division of U.S. Employment Service/ALMIS, 200 Constitution Avenue, N.W., Washington, D.C. 20210. **To learn more about other employer-related services, such as training and assistance for workers affected by layoffs, please call 1-877-US-2JOBS (or 1-877-872-5627), or visit the website at, [www.usworkforce.org](http://www.usworkforce.org).**

Another Employer Friendly Opportunity: Help Your Employees Make Ends Meet by offering them the Advance Earned Income Tax Credit (AEITC). For more information contact the IRS at **1-800-829-1040**; or download **Publication 596** from the Internet website - **[www.irs.ustreas.gov](http://www.irs.ustreas.gov)**.

## **Call Your State Employment Agency WOTC/WtW Coordinator**

To learn more about the WOTC and WtW Tax Credits, call your State WOTC Coordinator, visit the WOTC/WtW website, <http://www.workforcesecurity.doleta.gov/employ/WOTC.asp>, or call your local employment service office. If you have *tax-related* questions, call Robert Wheeler at: IRS -- 202-622-6060.

**Alabama** - 334-353-8037  
**Alaska** - 907-465-5953  
**Arizona** - 602-542-0398  
**Arkansas** - 501-682-3749  
**California** - 916-654-9715  
**Colorado** - 303-620-4216  
**Connecticut** - 860-263-6060  
**Delaware** - 302-761-8131  
**District of Columbia** - 202-724-7363  
**Florida** - 850-488-7228  
**Georgia** - 404-656-3157  
**Hawaii** - 808-586-8815  
**Idaho** - 208-334-6270  
**Illinois** - 312-793-6805  
**Indiana** - 317-232-7186  
**Iowa** - 515-281-9023  
**Kansas** - 913-296-7435  
**Kentucky** - 502-564-7456  
**Louisiana** - 225-342-3037  
**Maine** - 207-624-6390  
**Maryland** - 410-767-2080  
**Massachusetts** - 617-626-5363  
**Minnesota** - 651-297-2219  
**Missouri** - 573-751-0977  
**Michigan** - 313-876-5013  
**Mississippi** - 601-961-7591  
**Montana** - 406-444-2622

**Nebraska** - 402-471-2693  
**Nevada** - 775-687-0409  
**New Hampshire** - 603-228-4079  
**New Jersey** - 609-292-8112  
**New Mexico** - 505-841-8503  
**New York** - 518-457-6823  
**North Carolina** - 919-733-4896  
**North Dakota** - 701-328-2997  
**Ohio** - 614-752-3095  
**Oklahoma** - 405-557-5371  
**Oregon** - 503-947-1672  
**Pennsylvania** - 717-783-3676  
**Puerto Rico** - 787-754-5151 xt. 2279  
**Rhode Island** - 401-222-3725  
**South Carolina** - 803-737-2594  
**South Dakota** - 605-626-2302  
**Tennessee** - 615-741-6473  
**Texas** - 512-463-9926  
**Utah** - 801-526-9480  
**Vermont** - 802-828-4350  
**Virginia** - 804-786-2887  
**Virgin Islands** - 340-776-3700 x-2055  
**Washington** - 360-438-3266  
**West Virginia** - 304-558-34527849  
**Wisconsin** - 608-266-0959  
**Wyoming** - 307-235-3611